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American Woman's Society of Certified Public Accountants

American Society of Women Accountants

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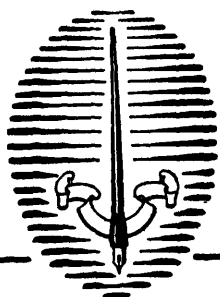
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# THE C.P.A. WOMAN



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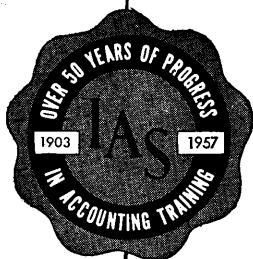
*Louise A. Sallmann, C.P.A.*

**F E B R U A R Y**

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*Official Publication*

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AMERICAN SOCIETY OF WOMEN ACCOUNTANTS



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## EDITORIAL

### EASTERN REGIONAL CONFERENCE!

For a Spring Tonic—

Attend the Spring Conference!

**CINCINNATI, OHIO, MAY 17-19, 1957**

### COME AND HEAR!

*Dr. W. J. Graham,  
Ph. D.*



*Corinne Childs,  
C. P. A.*



Banquet speaker for the Eastern Regional Conference is Dr. Graham, Professor of Accounting at the University of North Carolina. He is one of the nation's leaders in the development of the Advanced Management Programs for Businessmen at the Executive level. Completion of this course earns a degree of Master of Business Administration.

Dr. Graham is also an author of national reputation and is active in the business field. He is an active member of the American Accounting Ass'n, Controllers Institute of America, National Cost Accountants, American Institute of Accountants and the North Carolina Society of CPA's.

"Statement Presentation" is the topic Corinne Childs has chosen for her talk at the Saturday Luncheon meeting on May 18.

Corinne is the immediate past president of AWSCPA. She was one of the organizers of Tulsa Chapter ASWA, and served as the chapter's first president in the year 1954-55.

Miss Childs is a member of the Oklahoma and Texas Societies of CPA's, The American Institute of Accountants and The American Bar Association.

### IN THIS ISSUE

In order to give those of our members and our readers who were not present at the annual convention of American Society of Women Accountants and American Woman's Society of Certified Public Accountants at Seattle, Washington, September, 1956 an opportunity to share in the technical programs presented, we have published in this issue the paper delivered by Catharine DeMotte Quire, Ph. D., at the luncheon meeting.

In our last issue, December, 1956, we published a paper presented at the convention by Winifred D. Owens, CPA, on "Etiquette and Ethics".

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While all material presented is from sources believed to be reliably correct, responsibility can not be assumed for opinions or for interpretations of law expressed by contributors.

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# MOVING WITH THE TWENTIETH CENTURY

By DR. CATHARINE DeMOTTE QUIRE, Ph. D., San Francisco Chapter, ASWA

"Accounting is Dynamic", the luncheon theme, would mean accounting does not stand still under our usual use of dynamic as an adjective connoting the quality of being active and energetic or subject to change, of moving. The Oxford Dictionary definition of dynamic is "of or pertaining to a force, of force in actual operation." Notice, please, it is the force rather than the resulting movement. We are not then talking about accounting as a theory and technique which must adapt itself to changing conditions. Rather we are talking about accounting as a force, one force, among many forces working changes in social, political and economic conditions which contribute to the order in which we live. Instead of saying that accounting is tagging behind the forces in actual operation, trying to keep them in sight and take the right turnings, we are saying that accounting is one of the front line forces and must accept a responsibility for helping to determine the final direction they will take. Accounting is moving with the twentieth century. At times it may need to move against some of the other forces in actual operation.

We need to remind ourselves also that we are members of a profession and that the definitions of profession include the ideas of dedication, special preparation, special responsibility. In relation to our technical skills we should feel a sense of dedication and accept a special responsibility in view of the part our profession plays as a force in actual operation among this whole series of forces which contribute to today's world.

These introductory remarks are made because this foundation seems of first importance. I am reminded of a tale used to illustrate how a work project could be stretched indefinitely in a dictator-controlled country. A building of twenty-five stories was the project, to be built on land outside the capital city, bordering the confluence of two rivers—marshy land in fact. Twenty stories were built successfully. By the time the twenty-first was finished the building had sunk one story. They started a new twenty-first story—and so on and on and on. Now, if accounting is to us only a way of stringing out a work project to cover a life-time of earning a living, we shall indeed have been building

on a marsh.

Before I left for Europe recently, I read a paper on Soviet accounting which a student at the Graduate School of Business Administration at the University of California had written. As soon as we reached Russia, I began asking the Intourist guide for an opportunity to talk to an accountant. Finally, I lowered my request to a chief bookkeeper. The guide could not understand my request, did not seem to know what an accountant was, could not see why one of our party wanted to talk to such a person. I never succeeded in getting the interview but by asking questions of managers of industrial and agricultural units, the implications of the graduate paper were confirmed:

1. There is a potential margin between cost and selling price, both elements having been fixed by government authority, which is named in Russia by a word translatable as profit.
2. This profit margin—as represented by asset increase—is an ear-marked fund.
3. Part of the fund may be used for improving the condition of the employees, housing projects, Palaces of Rest and Culture "built by the workers", etc.
4. The decision as to this use rests with management and the appropriate government office, not the union or the labor force itself.
5. Not even a well-educated and intelligent Intourist guide had the remotest idea that the accounting system had anything to do with determining this social force in actual operation.

Therefore, if each of us is to assume our share of responsibility for maintaining the freedom of decision which characterizes our system, if we want democracy as we meant it, part of the special responsibility of our profession involves weighing these implications imaginatively, watching for possible dangerous intrusions on the principles of full information and free decision in myriad small matters as well as in large, in elements of non-formal government as well as in the actions of our formal governmental officers.

The What to Read section of the July, 1956 *Journal of Accountancy*, carried a re-

view of Loyall McLaren's review of the ninth annual survey of *Accounting Trends and Techniques*. He is quoted as expressing disappointment at the slow rate of progress toward "a unified body of generally accepted principles of accounting—Mr. McLaren warns that if progress is too slow the alternative will be 'prescription of rigid financial reporting rules by governmental agencies.'" Is this bad? Or good? Why? Do you know how widely practice varies? The annual issue of *Trends* costs a good deal but would be worth its cost in a chapter library as a basis for technical sessions.

There are several points at which change is developing in accounting theories, techniques and skills where if I were a working accountant I should consider trying to get on the bandwagon ahead of the horde. You will recognize this as good technique for personal advancement. There is another advantage in line with what I have said before. If you are one of the pioneers in expert knowledge of a given field, you will be more effective in calling attention to the points at which caution is to be used, the points where there may be a conflict between our sort of system and the new techniques, between efficiency in handling of paper work and regimentation in the exercise of judgment by or about persons.

First and most obvious, the whole field of machine methods, new forms, that magic word, electronics and the other new wonder word, automation. As public accountants you need to be flexible in these matters, aware of uses and limitations. This is a place where becoming an expert could change the sort of audits you handle. I noted that in the report of the Commission on Standards of Education and Experience for CPA's, the longer experience qualification was justified on the ground that formal education and passing the examination did not give enough understanding and flexibility in dealing with a client's internal controls. With the changes in techniques resulting from increased use of machines, even the CPA needs more education. As an internal auditor you may direct management toward savings. In a lesser position you prepare yourself for advancement or at least for handling new equipment.

Second, in auditing, there has been a great advance in the use of statistical sampling techniques, still a new field. I don't know a better way to earn advancement than to become an expert in a new

field when experts are scarce and then to keep one jump ahead of all the experts that flock in after you. It takes energy and interest and brains but it provides stimulus, satisfaction, wide interests and some worry about your own income tax.

Third, the income tax field itself is also dynamic within the full meaning of the definition. I need only remind you that the income tax law in 1913 was probably the most effective force in actual operation in persuading business and even accountants to use a charge for depreciation expense when they still did not really understand why it was wise or necessary. Recent changes have brought depreciation to the front again and accountants are again questioning whether the method most desirable for a given year's tax return is best in the long run. You need to know—not THE answer, because there are probably several, but the pertinent discussion points.

There are other federal and state income tax complications, some of which involve no more than learning how to rearrange the figures. Some of them involve elements of social theory. Last year the San Francisco chapter of ASWA heard Mary Lanigar call attention to the use of exemptions to provide relief in certain cases but not for all similar cases. She was referring to the exemption for the blind, but not for the deaf or for those who were physically handicapped in other ways. This came to my mind when I read the statement of Arthur Larson in his book *A Republican Looks at His Party*, that the tax measure presented to the 83rd Congress, "for the first time in history, was designed to rationalize the entire income tax statute from beginning to end, eliminating unfairness, plugging loopholes, and adjusting relationships between the parts." Even as a Republican I am not prepared to argue this point except by following Larson's argument. But some of you should be, I believe, and on a non-partisan basis. Some of you have seen the effect of the income tax law on enough business and individual tax returns so that you can weigh the special exemption for the blind against the probable effect on earning as between blindness and deafness or the probable need for continual medical care as between blindness and the loss of an arm. In this evidence of a special lobby? Is it the kind of special treatment that should be spread farther? Is this the best way to provide relief for this handicap?

I want to call to your attention a fourth field in which you should check your present standards of performance and probably should educate yourself further—the field of report writing. This applies to both the private and the public accountant. One good way of being on the inside track in your office is having your superior aware that you can whip up a good written report at the drop of a hat. I hope you know about Jennie Palen's book. I hope some of you have read Mr. Maurice Peloubet's article in the July 1956 *Journal*.

My fifth point is concerned with the developing awareness of the responsibility of the accountant to management. The various ways in which this awareness is being met in formal accounting education are spreading in so many directions that those who follow one line are likely to meet themselves coming back along the road. I am talking now to accountants and I hope you will agree with me that business will be served best if accountants become experts in providing the figures needed to project the effects of business change. The alternative is to have management and industrial engineers learn enough accounting so they think they can make their own budgets and projections, rather than have accountants on the one hand and management and engineers on the other meet on the basis of a common language, each providing specialized tools.

Accounting is making an advance in the common language department. The words we use in statements have become more intelligible. Are we using the figures with full responsibility? Are we relying too heavily on that neat phrase "in conformity with generally accepted accounting principles," failing to be imaginative about necessary information beyond the limitations of those principles? Let me make myself clear on this point. I am a die-hard, in theory and in practice on the use of historical cost in published statements or at least on using historical cost in the primary statements. I think, however, that the accountant exercising his responsibility as a guide of a force in actual operation, should be prepared to decide when management needs to be reminded of the effect of price changes on present operating results and future policy. This responsibility applies to private as well as public accountants, just as it applies to housewives and insurance brokers. All of us do some of it in our heads all the time. The public accountant is in a special position because he sees what is hap-

pening to many businesses. The private accountant sees the transactions and changes in one business in detail.

Theoretically the big swings of the cycle are controllable. Theoretically an inflation spiral is controllable. Practically these two dangers seem to be under reasonable control without the need of specially planned changes in the rate of government spending. Theoretically an expanding economy, a reasonable balance of full employment, more purchasing power, more leisure, more consumer goods without higher prices can be achieved. We can achieve it under our system of private enterprise with only a minimum of government interference, I believe, if accountants join with management in watching for danger spots. We do not want to achieve it, I am sure, under government control. I am firmly convinced, in fact, that the extension of government control even with our tradition of individual initiative is a good way to destroy that initiative which is the basic force of our expansion. I saw nothing that seemed admirable to me in what I saw of the Russian economy, except that it had made literacy and education, hospital care and access to art, music and other cultural activities more available. There seems to be no expansion of the standard of living and opportunity for the use of initiative is subject to unreasonable limitation from above, except perhaps in cultural expression and, to a limited extent, in agriculture.

This, then, initiative and the chance to use it, is the jewel without price in our economy. Every interference by government must be justified on the grounds of protection of the public—not on the grounds of efficiency. Every time the attempt to exercise initiative fails because the attempt is ill-conceived, one more black mark is made by those who lack courage. Business initiative should depend on you for expert information. If you are to give that information well, expertly, you must be knowledgeable on many matters so that you are foreseeing and presenting alternatives. You must have a full and detailed awareness of what the business economy of a democracy means, what are its limitations and its relation to government, politics and social theory.

You must, each of you, reach an inner integrity on these matters so that you will have the courage to use your accounting knowledge as a "force in actual operation" in the direction you believe our business economy should take.

# HOW TO PREPARE FOR THE AUDITOR

By D. GIRARD MILLER, C.P.A., Partner, Lawrence Scudder  
& Co., CPA's, Muskegon, Michigan

The subject "How to Prepare for the Auditor" automatically divides itself into two phases. First, can we devise a worthwhile program that will accomplish something for all concerned — private accountants, companies, and public accountants? Second, if it is determined that such a program will be of use, how can it be set into motion? Let us consider the first phase.

Such a program generally implies the use of what has come to be known as a "Client Help" program. Because public accountants realize the fact that, more and more, accounting and audit fees are constituting a major expense to their clients, this program has come in for a considerable amount of discussion in the past few years. They also realize that some steps which would not affect the quality or the independence of their examinations should be taken to reduce this expense. Primarily for this reason, the "Client Help" program has been advanced as a possible means of cutting down the audit time and thereby reducing the audit fee. The curtailment of audit time is the main purpose of this program because there cannot be omissions or lowering of auditing standards merely to bring about a reduction in audit fees. You will agree that lower auditing standards would eventually result in a greater cost rather than a savings to companies.

The "Client Help" program turns over to private accountants certain phases of the groundwork which must be done in practically all types of audit engagements. Generally this can be done as well, if not better, by private accountants. Let me emphasize that no matter to what extent the program is used, proper auditing standards will be strictly adhered to and all of the required auditing procedures will be followed by the auditor.

"How to prepare for the auditor" becomes "How to cut down expenses" when private accountants are prepared for the public accountant. I'm sure that all accountants are vitally interested in any possible means of reducing the expense budget of their company. You know that, along with everything else, audit fees have increased considerably in the past years. With the "Client Help" program we can reduce the expense but not the quality of auditing services.

To be a little more definite on the possibility of expense saving, let me use a few statistics from an article written by Mr. Louis H. Pilie which appeared in the October, 1954 *Journal of Accountancy*. Mr. Pilie is a Certified Public Accountant in New Orleans. Although Mr. Pilie's article deals with the application of the "Client Help" program in specific cases, it cites quite a few interesting comparisons. In 1954, a relatively large firm of public accountants made a survey of the work that had been done for their clients. This survey covered the various types of engagements that had been completed and also covered the types of opinions that had been submitted on their clients' statements. The latter included the unqualified and the qualified opinion and even the "disclaimer" type of opinion. This study revealed that the firm had completed 26 unqualified annual reports in its own current 12 month period. In these 26 reports, the firm found that over two-thirds of their clients had participated in the "Client Help" program. The survey also disclosed the fact that for this two-thirds, approximately 15 to 36 per cent of audit time had been saved. At prevailing audit billing rates, this alone would seem to make the program a worthwhile plan. One specific example: One company, with annual sales of around \$400,000 received an audit bill of \$1,160 for its 1950 audit report. The amount of this bill brought forth a long and loud complaint from the client. So the accounting firm's representatives met with company officials, explained the "Client Help" program and with the help of the company's accountant, lined up a program to be followed in the current audit year. Since that year the annual audit fee has amounted to around \$800. This represents an approximate one-third reduction in the company's auditing expense. Let me add that during this period the same type of report, the unqualified report, has been submitted by the accounting firm. In other words, all necessary auditing procedures were followed, proper auditing standards as set by the American Institute of Accountants were maintained in the preparation of the accounting firm's opinion on this company's financial statements.

This does not imply that the "Client



"Help" program will work only in the case of an unqualified report. The program can be an audit time-saver regardless of the type of engagement. Take the type of report issued without audit or verification. This report, generally issued for management purposes only, usually is for a smaller company that does not want or need an expensive, unqualified audit report. Being a small company the management is pretty close to all phases of its operations, including its accounting records. Management will have, for instance, a pretty good idea of the amount and condition of its accounts receivable, so does not think it necessary for their auditors to go so far as to confirm these accounts by direct correspondence. At the same time, however, management would like to be reassured from an outside source that its financial statements are materially correct. The public accountant who is examining these statements which will later be issued from his office, also wants to be reasonably certain of their correctness regardless of the fact that they are to be issued "Without Audit or Verification". He will make numerous inquiries, test checks and analyses of certain accounts in order to satisfy himself that the statements do present a materially accurate picture of the company's financial position. Such analyses can be prepared by private accountants.

To carry this one step further, the public accountant may be engaged for the sole purpose of preparation of a federal income tax return. Even in this type of engagement there is a place for the "Client Help" program. Here, for instance, are just two things that can be done. As you know, on every tax return detail must be submitted showing the contributions that were made to charitable organizations. If the public accountant could be handed a detailed list of these contributions, in agreement with the records, a good deal of time would be saved. Then, taxes paid must be broken down to the individual type of tax. This is required on all tax returns. If this information is available to the public accountant, it will save him the necessity of going through the year's transactions to get the breakdown. Such preparations as these help to reduce a company's accounting fees.

So far only the financial savings that can be made through the use of the "Client Help" program have been mentioned. There are other advantages. Delivery date of the audit report or the tax return should be speeded up by the use of this program. If the program is carried on currently by pri-

vate accountants, possible errors in the accounts will be immediately discovered and immediately adjusted. This will keep monthly financial statements on a more accurate basis.

On the assumption that we have seen that the "Client Help" program can accomplish something for all those concerned, let us look at the second phase. How do we make it work?

Very briefly, let us review the two closely related functions of the private and public accountant. Private accountants build up the financial transactions as they occur. Later on the public accountant comes in, reviews and checks these transactions and then forms an opinion as to the fairness of the end result. To review and check, the public accountant needs certain "tools" to do his work. Unlike other workmen, however, the public accountant generally has to make his own "tools" and only after their preparation can he make his usual tests and checks and finally form his own independent opinion on the company's financial statement. Naturally, the preparation of these "tools", or analyses, takes a good deal of time. They are necessary. This is where private accountants enter the picture. Here we run into our first but actually our only obstacle to the program. No one knows any better than the public accountant that private accountants are already loaded down with their own work, but the prime requisite to the success of this program is additional time and work on their part. So let's take just a look at some of the major sections of the "Client Help" program and possibly somewhere along the way you may see at least a part that will be of advantage in an individual case of your own. Please keep in mind that here is one type of program that does not have to be used 100 per cent in order for it to be successful.

One of the most important assets on the balance sheet can be the company's accounts receivable from their trade customers. They are important because from these accounts the company will obtain the cash necessary to carry on the operations of the business. Because of their significance as a source of working capital a good deal of attention will be given to each account by the auditor. He will want to know if the detailed listing is in agreement with the general ledger control account. Next, what is their condition as to collectibility? Are there some old accounts included in the detail that are not fully collectible? If so, possibly they should be written off as uncollectible or a reserve should be set up to

cover the possible future loss. Again, are there any accounts in dispute which require a reserve for possible loss? The public accountant will also want to know whether the credit balances in the accounts are material enough to reclassify to the liability side of the balance sheet. And, if they are material, is there any particular reason?

A cut-off examination will be made of the accounts to determine whether all of the charges and credits, prior to the balance sheet date, have been entered in the records. It will be necessary to find out whether sales and cash receipts subsequent to the balance sheet date have been excluded from the accounts.

To get all this information, to help in his determination of the accounts receivable, the public accountant needs a detailed listing of the accounts as of the date of the balance sheet. Naturally each accounting firm will have its own particular form (or set-up) for its work papers, but in general the same information will be needed. This detailed listing should have the exact name of the customer and the address of the accounts if they are to be confirmed by correspondence. The listing is generally made on 14 column work sheets so that there will be room for notes as to subsequent payments, differences in the amounts shown on returned confirmations and their reconciliation, comments as to their collectibility and many other notes. Perhaps the most important part of this listing is the detailed ageing of the individual accounts receivable. This ageing helps the public accountant form his own opinion as to the value of the company's total accounts receivable.

This necessary information is a time consuming work paper that will be needed in most examinations. Considerable audit time can be saved if this listing, following the auditor's own form, can be given to him all ready for his examination and various test checks.

Quite frequently the prepaid insurance account will be a material asset and must be verified. Regardless of whether the company is on the accrual basis and carries the asset on his records, or is on the cash basis and charges off the insurance premium expense as incurred, examination must be made if only for federal income tax purposes. Under present regulations of the Internal Revenue Service only the current year's proportionate share of a long term insurance premium may be taken as a tax deduction on that year's tax return of either the accrual basis or cash basis taxpayer.

Therefore, some sort of analysis must be made of the insurance accounts. The work sheet for prepaid insurance is generally a standard form. The schedule will show the number of each insurance policy held by the company for easy identification purposes; the name of the insuring company and usually the name of the insurance agency; the type of property that is insured; the total amount of coverage on each policy; the issue and expiration dates; the amount of the premium cost and the unexpired portion of that premium as at the balance sheet date. A notation will appear on the schedule as to whether or not the policy has been issued under a co-insurance clause. Although the public accountant certainly does not pretend to be an authority in the field of insurance, many times when the company's insurance coverage is presented on this "bird's-eye view" basis, the fact that the coverage appears to be inadequate will be apparent. If it is, then he can bring this to management attention so that an insurance agent may be called in for expert advice. The insurance expense accounts will also be analyzed to see if there have been any long term premiums charged directly to expense rather than to the prepaid insurance account; or, in the case of the cash basis taxpayer, to pick out any of these long term premiums so as to properly report the insurance expense on the income tax return. Time will be saved if the schedule and analyses have been so prepared that the public accountant needs only to check the information as recorded on the work sheets against the insurance policies and the mathematical computations of the unexpired portions of the premiums.

On most balance sheets, and certainly on the balance sheets of manufacturing concerns, you will find that a major portion of the company's investment has been placed in its plant, property and equipment accounts. Because this class of asset is usually material in amount and is in an area that is subject to individual decision as to classification, the public accountant will want to make a close and careful examination of all of the property accounts. To enable him to determine that the fixed assets accounts are not overstated, or understated for that matter, he is going to need a good many detailed analyses. Here again the form may differ in the various public accounting offices but the essential information needed will be the same. The analyses of each asset account will start out with the balance of

(Continued on page 12)

# ASWA Grows —

## Rockford Becomes Chapter 51



*Zosia Edwards Stege, National President, ASWA, (at right) presents charter to Irene White, President of Rockford Chapter, while Loretta Creagan, Vice-President of Rockford Chapter, looks proudly on.*

On October 13, 1956, Rockford Chapter was officially welcomed into ASWA by Zosia Stege at a charter dinner. It became the 51st chapter in an organization of more than 2500 members. Less than 19 years ago the first chapter, comprised of 3 members, was formed in Indianapolis in May of 1938. Today, our 51 chapters geographically cover twenty-five states and the District of Columbia.

Why was ASWA started? In the words of Ida Broo, CPA, ASWA founder, "The members of the American Woman's Society of Certified Public Accountants felt that it was not because of a lack of ability but more because of lack of opportunity that women were so poorly (numerically) represented in the profession, and it was with the hope of increasing the opportunities for women that the American Society of Women Accountants was formed under the sponsorship of AWSCPA."

Why does ASWA grow? A need, a spark, and the continuous efforts of interested women accountants. In Rockford the need and interests were passive until a business man phoned Dorothy Colton, CPA, to inquire what organization his accountant might belong to which would give her the opportunities, advantages, and stimulus which he felt everyone needed and could get in no other way. Dorothy's inquiry about a membership at large in ASWA for this accountant brought an invitation from the Chicago chapter to bring her and any other interested women accountants to attend a meeting of the Chicago chapter. From this and subsequent visits along with the interested advice and help of both the Chicago chapter and the national officers of ASWA grew our newest chapter.

In similar ways our other chapters have originated. We are looking forward to more members and more chapters in the years to come. We feel that ASWA can fulfill the needs and interests of women accountants. Again in the words of Ida Broo, "Through the years the Society has held steadily to its purpose—to increase the interest of women in the profession, to increase the opportunities for women, and to inform the public of the place women hold in the field."

"Recognized as the Voice of the Woman Accountants, ASWA is a professional society whose ranks are open to women actively engaged in the profession of accounting, to teachers of the subject, and to advanced accounting students."

"The ASWA impresses its membership with the privilege and the corresponding responsibilities which are theirs to uphold the high standards of accountancy, to the end that the woman accountant may remain a valued member of an honored profession, worthy of the confidence of the public, and dedicated to its service."

# WHY DID I JOIN THE ASWA? (CONFESSIONS OF A COMMERCIAL TEACHER)

By CECELIA VER HAGE, Holland Chapter, ASWA

"So you want to attend the National ASWCPA and ASWA National Convention in place of going to the Teachers' Convention. Why?"

This question the Superintendent would ask me tomorrow—if I could muster the courage to face him with my choice of conventions.

The clock struck eleven, twelve—"Why is it important? Why is it important?" kept dinning in my ears. "Why is it . . . why is . . . why . . . ? ZZZzzzzz

"The meeting will please come to order," gavelled the president of the Board of Education. "This special meeting has been called to question one of the teachers concerning her request to be excused from attending the Teachers' Convention. Will the accused please step forward?"

"Will you swear to tell the truth, the whole truth, and nothing but . . . ?"

"I do, on my ASWA honor."

"Is it true that you are asking permission to attend the national convention of ASWA and AWSCPA in preference to your going to the Teachers' Convention?"

"Yes . . . your . . . Honor," I stuttered.

"Does this so-called ASWA society have any connection whatsoever with the educational function of your classes? Is your presence at its convention pertinent to your position? According to your knowledge, ASWA is a women's organization independent of the principles of education."

"Sir, it is a women's organization, BUT it is definitely an educational organization. Let me give material evidence to substantiate my assertions. Four years ago the Holland Chapter, ASWA, gave a \$5 award to the most outstanding bookkeeping student in our high school. I was given an invitation to attend the June Educational Dinner meeting with this student. At this meeting I realized that ASWA and the Commercial Department of any high school were striving toward the same goal: EDUCATION, with its sights focused on the business world. Needless to say, I

became a member of the ASWA in the fall."

"Well, well," he muttered, "but . . ."

"Two years ago," I interrupted with no stuttering this time, "the Chapter sent an ASWA representative to our school with a movie entitled 'Accounting, the Language of Business' which was shown to the students of the Commercial Department. As a result, one student became interested and applied for and received an ASWA scholarship."

"That is very commendable," he commented, "but . . . ."

"Every year," I continued with full steam ahead, "the ASWA members arrange and conduct tours through offices, banks, or manufacturing firms for the high school commercial students."

"Seems to be a public-relations organization, too," he added with a reticent nod of approval.

"Very much so. Last year when the short-hand class was studying letters, one of the ASWA members consented to talk to the class about importance and appearance of business letters. To illustrate her talk, the movie 'Eight Parts of a Business Letter' was also shown to the class. This certainly was education also."

"Do you think that your attending this convention would be of value to you?" he inquired with a twinkle of approbation in his eyes.

"Indeed I do . . . indeed I do."

"All those in favor, please say 'Aye . . . aye . . . aye.'" . . . BBBBZZZZZZZZzzzzzz!

"National convention, here we come!" came to life. How could a superintendent object to those facts? ASWA scores many hits. No one questions the activities of ASWA and their importance; women in business have rightfully gained a position of prestige.

If I can do my bit to pass this feeling along to teen-agers—the future accountants and ASWA and AWSCPA members—then joining ASWA has been most worthwhile.

# ETHICS FOR THE INTERNAL ACCOUNTANT

By THEIA CASCIO, Los Angeles Chapter, ASWA

Much has been written about professional ethics, but we are inclined to relate it to the public accountant. Webster says that "ethics" are moral principles or the practice of a conscientious person. In internal accounting, professional ethics are those principles which combine correct procedures of accounting with loyalty and duty to, and consideration for the business by which we are employed.

A worthy reputation is the earmark of the successful professional person. Such reputation is acquired by excellence of performance, continued advancement in knowledge of a particular occupation or service, and good habits. All of these can be adopted by the internal accountant and become an ethical code.

Excellence of performance implies strict attention to duty and a following through on the day-to-day routine which results in an accurate recording of the transactions of the business. It means careful reporting so that comparisons may be made and trends watched. It is truthful, unbiased analysis of figures, using the same conscientiousness expected of the physician when he is diagnosing an ailment.

Continued advancement in knowledge is secured through additional study courses, reading, a wide-awake alertness on the job, and contact with accountants in other companies through accounting organizations. A good general knowledge is the result of planned study, but a quick answer to a current problem is often the result of information dropped at association meetings.

Service is an obligation of the truly successful person. No individual has acquired a reputable accounting position without some assistance along the way, nor does she keep that position without aiding others in turn. In addition to civic and welfare service, there is service to the accounting profession of which she is a part. Naturally, each person's contribution is dependent upon ability; but once you have learned to swim, never fail to dive in to rescue a fellow accountant when you hear a cry for help.

Good habits include moral and health habits. Honesty, integrity, and good behavior are considered standard requirements for the successful accountant. Good health, which leads to better work, should be just as standard. Rest, recreation, re-

laxation, wholesome food, cleanliness of person and surroundings are all conducive to good physical and mental health. If "healthy people are happy people," the accountant who combines efficiency with healthfulness, strength and poise can contribute greatly to the atmosphere of the office.

Adherence to the ethical way of life results in pride of achievement and worthy success. There is satisfaction in advancing methods, procedures, conditions, and ideas. There may well be monetary profit, also, as the able individual earns more than the less able. But more than that, there will be an increase in stature and usefulness. Yours will be the fuller life.

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the last year's audited or unaudited report. Each addition to the account during the current year must be detailed as to the exact date of acquisition; the origin of the entry; the name of the vendor and his invoice number; a very complete description of the asset purchased and, of course, the cost of the new addition. Under the 1954 Code, it also will be necessary to note on the work sheet whether the newly acquired asset is a "new" or a "used" item of equipment. That is, if the company wishes to take advantage of the new provisions in the Code for accelerated depreciation. On the credit side of the analysis, all of the equally important information must be detailed as to asset items that were sold, abandoned, traded in, or otherwise disposed of.

All of these transactions, set up in analysis form, must be prepared in order that the public accountant can arrive at his own independent opinion as to the correctness of the additions to and the deductions from the plant, property and equipment accounts.

To go further into the verification of the fixed assets, the public accountant will also want to examine, or at least scan, the repair and maintenance expense accounts. Here again a detailed analysis of all the repair accounts must be prepared so that he can examine the items charged to these accounts and can finally state that, in his opinion, the fixed assets are properly recorded.

Let me illustrate what can be done with the "Client Help" program in saving audit time in the public accountant's verification of the fixed asset accounts.

One of our clients, a rather large manufacturing concern, has a good many material and constantly changing plant equipment accounts. Shortly after our current examination and after the audit adjustments, if any, have been made to these accounts the company's accounting department puts in a requisition for a supply of our analysis paper. Throughout the year the company accountant builds up a running analysis of all these fixed asset accounts, and when we come in for the next year's audit, these papers are turned over to us complete and in our own analysis form. In addition to the work papers, and this by the way was the company's idea, we are also supplied with all of the supporting data such as the vendor's invoices, the receiving slips and the company's invoice in the case of a sale of an asset. We have never made an actual time study; however, I believe you will recognize the fact that considerable audit time must be saved each year by this company through the preparation of these analyses by its own accounting department.

There are of course other parts of the "Client Help" program that can be used on the asset side of the balance sheet but these I believe are three of the best audit time savers.

On the liability side of the balance sheet there are also many analyses and work papers that will be needed by the public accountant in his examinations. Because most of these papers, in reverse, are much the same as required in verifying the asset accounts, it doesn't seem necessary to discuss the program in relation to verification of the liability accounts.

As to the income and expense accounts, a few analyses have already been mentioned that will be needed in the examination of financial statements. There are however many other accounts that also will be analyzed in the usual type of audit engagement.

Just to name a few and without going into the form of the analysis sheet: a detail of the dividend and interest income accounts; an analysis of the salvage and scrap income—perhaps a fixed asset has been dismantled and sold for scrap and its disposal has not been recorded in the records; a detail of the items in "Miscellaneous Income"—all kinds of interesting items sometimes find their way into this account; the office supply and expense accounts will be

analyzed, as it is possible that an expensive office machine or a desk could be charged off to this account in error; the account that includes the fees paid to the directors of corporate clients will be detailed and then checked to the attendance record as noted in the minute book work papers.

There are many more of these accounts to be analyzed, not in every case of course, because the scope of the examination is governed by the type of the engagement and the particular circumstances. However, few or many, they can be prepared by private accountants and ready for the public accountant's review when he steps into the office for his annual examination.

Up to here we have discussed only the more obvious parts of the "Client Help" program. There are other less obvious but just as important things than can be done.

When bank accounts are reconciled at the end of the fiscal year, a carbon copy of the bank reconciliation can be made for the public accountant. This won't add any time to reconciliation work but it will save time for the auditor, time spent in listing the deposits in transit, in listing the outstanding checks at the year-end date and applying whatever adjustments, if any, that are necessary to reconcile the general ledger balance with the bank statement balance. Speaking of adjustments, after the year-end date advantage can be taken of hindsight over foresight. Interest on a note or mortgage paid shortly after the close of the year makes the computation of accrued interest payable at the balance sheet date rather an easy computation. The possibility of time saving here is not in the computation of the accrued interest, or the computation of any other accrued or prepaid account for that matter, but in the time required to write up the necessary adjustment and the posting to the auditor's working trial balance. In other words, don't wait for the public accountant to come in and make these usual year-end adjustments. Again speaking of adjustments, the entries closing out the income and expense accounts result in the net transfer of profit or loss to the surplus account. A lot of auditor's writing time, office footing, checking and typing time will be saved if these entries are made and posted to the general ledger rather than have the auditor include them in his audit entries. Of course, it goes without saying that if these closing entries are made, all of the usual year-end adjustments should first be made in the records. In many cases these seemingly small items can result in

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# THE SECRET OF HUMAN RELATIONS

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By JUDD PERKINS, Director of Public Relations,  
General Telephone Company of Michigan

The subject, the Secret of Human Relations, is not going to be kept secret very long. In my opinion, the true key to effective human relations is effective communication. Further, this truism has universal importance. Wherever human beings are in contact with other human beings, the basic factor which governs their behavior is some form of communication. Internationally, at no time in the history of mankind has man's very survival depended quite so much on his ability to make himself understood through communication. In our everyday lives, we also must rely on communication to establish good human relations with others.

At the outset we must agree on and understand our terms. For our purposes good human relations is to be considered the ability to work in harmony with all types of personalities. Communication is to be considered in the broad sense as any act which causes an exchange of meaning to take place between people. The General Telephone Company is constantly concerned with the technical aspects of voice transmission, however, we are well aware that communication goes far beyond the electrical feat of conducting vocal sounds from a speaker to a listener over telephone lines. The subtle nuances of human relations is also part of our daily business.

With these working definitions established, we are ready now to examine more closely the communicative process by means of which we relate ourselves to others. Assuming that we are capable of creating thoughts within our minds, we must have methods of getting these thoughts outside of the mind and into the thinking of someone else. Without this ability, we would remain forever isolated within our individual world of reflection. Imagine how drab it would be not to be able to give our thoughts to others. So far, only the need to *express* our thoughts has been mentioned. To complete the process we must have means whereby we *receive* into our thoughts the expressed ideas of others. The communicative process then by its very nature is a two-way street which requires channels for an expressive out-bound and receptive inbound flow of ideas. These ideas of necessity are

described by words. In the realm of communication words are the coin with which we buy and sell thoughts.

Two skills of *expression* are required in human communication. We have the choice of either speaking words or writing them to describe our mental pictures. The situation will determine which method is most suitable. To explore and understand the worlds of other individuals we need also two skills of *reception*, and these are reading and listening. These basic facts are so obvious as not to require further comment, however, one most important fact too frequently is forgotten. Simply possessing the ability to speak, write, read and listen is not enough. To a certain extent these are, in normal individuals, mechanical skills. The critical point is that to the degree to which we are effective in these communicative skills, to that same degree are we also effective in our human relations. How else do we arrive at "relatedness" or understanding of others? There is no other method.

Space does not permit a thorough consideration of any one of these complex skills. At best a few remarks can be made about the one skill which has, until recent years, been completely neglected. Only now are we beginning to have some understanding of the critical skill of listening. Note that listening and hearing are two distinctly different functions. Hearing is the mechanical perception of sound, any kind of sound. One's hearing can be measured in terms of frequency and decibels by an audiometer. If hearing is impaired, medication, surgery or mechanical aids can generally restore, in part at least, the function.

Listening we must consider a skill which each individual must learn, one which can be achieved only through conscious and intense training. Listening is a psychological response whereby meaning is attached to spoken words. Here the reader must realize that we are dealing with a basic learning process, for by means of listening we acquire that vast fund of information which cannot be obtained by reading. A "good listener" in our terms then, is one who has developed the ability to tune his receptive mind to the frequency

of the speaker with infinite precision. Not only must the speaker and listener be in resonance with one another, but also that relationship must continue long enough for the thoughts to get through. The listener cannot drift away mentally to some other thought pattern. If this "tuning out" takes place, the communicative process has been interrupted. The speaker may continue to push words toward the listener, but to no avail. Inattention can literally jam the reception of ideas.

These are not speculative remarks but are squarely founded on a bedrock of research and test results. Listening comprehension can and is being measured constantly on several University campuses. Also, listening as a skill of learning is now taught successfully to all age groups. Data from standardized tests reveals that the average untrained listener is only 26% effective. Based on one dollar spent in the listening situation, he gets only a quarter's worth of learning. What are the reasons for poor listening habits? Admittedly, a volume of many pages could be written in answer to that question. For our purposes we will identify only a few of the most potent reasons.

Inability to concentrate or inattention has already been mentioned. Emotional barriers often cause a serious breakdown in communication. How frequently the trained observer sees a listener pull down an emotional curtain between himself and the speaker. Often this emotional block arises from emotional garbage stored in the subconscious from many yesterdays being dragged into today. This is a sure short-circuit to communication. Personal dislike of the speaker will cause a blockage that cannot be surmounted, for who can listen and learn if the mind is filled with judgments and criticism. Rejection of the speaker or his ideas creates a wide and deep gap between the speaker and the listener.

Briefly, then, permit me to summarize. Our ability to get along with one another is essentially a test of our communicative skills. Not so much *what* we say, but *how we say it* is the important factor. To achieve good human relations, it is first necessary to learn to suppress one's own thoughts effectively and receive the deep meanings from others which their words can carry. The challenge is yours.

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a considerable saving of time on the part of the auditor.

Here's a particular phase of the program that is quite frequently forgotten. Always in the unqualified or qualified report and generally in other reports, the public accountant will need to examine and make many notes from the minute book of his corporate clients. The declaration of dividends will be noted, and from this a check will be made of the subsequent payment. The election of officers and directors, along with the approved amounts of compensation, must also be recorded in the work papers of the public accountant, if only for the purpose of filling out the various governmental forms that are required to be filed. Many times the minutes of the meetings of the board of directors will disclose contingent assets or liabilities of the corporation that should be mentioned in footnotes to its financial statements. The directors often will pass on some resolution that will have a direct bearing on auditing procedures. I have in mind one instance where the directors passed a very rigid rule as to the dollar amount that could be added to the fixed asset accounts without approval. In this case any addition to these accounts of \$500 or more had to be first okayed by a finance committee and subsequently approved by the board of directors. At each finance committee meeting and at the following directors meeting, each job order was either approved or disapproved; and the action was recorded in the minute book. Following normal auditing procedures it was necessary to check all such appropriations from the fixed asset analyses to the approval of both the finance committee and the board of directors. Think of how much audit time could be saved if the public accountant were to be given a complete signed copy of these minutes. Instead of a time consuming operation of transcribing the important and related information on to his own work paper, he could merely underline or by any other method set forth the information having a bearing on the final audit report.

These are just a few of the things that can be done with this program in preparing for the auditor. I am forced to agree with what you must now be thinking; here's a program that seems to be designed with the sole purpose of adding to the work of the private accountant. However, I do think that the program is worthwhile and that it does have possibilities for your company or your client.



# ACCOUNTING FOR AN AUCTION HOUSE

By MARY C. TONNA, CPA, San Francisco Chapter, ASWA

Do I hear five . . . . five . . . . five . . . . going! going! gone! Sold to Madam X in the blue hat. The auctioneer's hammer bangs denoting the sale of an antique, used furniture or other item.

Accounting for an auction house raises many problems. This article will attempt to describe briefly the problems peculiar to the auctioneering business.

Purchases of furniture or antiques are usually made from private individuals or estates. Each purchase or "buy" is tagged with a lot number and each article in that buy is assigned the same lot number. The buys are sold only at auction and the gross profit on each buy is computed as the difference between the sales price and the purchase price less any additional charges for freight or sterilizing—California law requires all upholstered articles and bedding be thoroughly sterilized before resale. Should articles in a lot number remain unsold at the end of the month, the inventory value is computed by the following method: Cost of buy (including sterilization and freight in) less amounts recovered from the sale of other articles on this buy, equals unrecovered cost or inventory value. It is impossible to apportion cost to each article in each buy as one buy may include an entire houseful of furniture and household articles.

While the auction is being conducted, the office is busy posting the charges to the customers' statements. The statements are headed up with the customers' initials only and as the lots are auctioned, the sales sheets are completed by the clerk and given to the bookkeeper. She posts immediately to customers' statements prepared in duplicate. The statements must be prepared immediately as customers come from all over the state and want to take their merchandise with them when they leave. Each statement is totaled, sales tax and sterilizing charges added. The auction business is a cash one, and the sold merchandise cannot be released to the customer without full payment of the bill. The warehouseman must have a paid bill to release merchandise to the delivery men.

Merchandise sold at auction may be held for seven days until payment is received. Failure to pay cancels the sale and merchan-

dise is then placed in the next auction for resale. Unclaimed merchandise is usually given the same lot number to distinguish it.

Prior to the auction day, previews are held where prospective customers have an opportunity to view the merchandise to be sold. A catalog listing lot number and description of the merchandise is available to the bidder. He may leave a bid and deposit for any lot number. The bookkeeper posts these deposits on the customer's statement to be returned if the bid is not high enough. If the customer fails to appear by the end of the seven day period, the deposits are forfeited.

The sales tax law in California has a section for merchandise sold at auction. The bang of the auctioneer's hammer constitutes a completed sale and sales tax must be paid on the merchandise sold unless the customer is a dealer, who is exempt to the sales tax provision. Sales tax must be paid whether or not the merchandise is claimed by the customer. Oftentimes customers change their minds and do not pick up the merchandise they bid on. Cancelled sales are not exempt under California sales tax law.

Failure to appear to claim deposits or to pick up merchandise requires the use of a Forfeited deposits and a Cancelled sales account. One is additional income, the other a charge against the auction sales account.

Expenses peculiar to the auction business are: catalog costs, postal card notices to prospective buyers and commissions for salesmen on buys. Other expenses are similar to any merchandising business or service business. If the auctioneer maintains his own truck, then a service charge must be made for delivery to customers and to the buy cost for freight in. It has been my experience that the auctioneer frequently uses an outside delivery firm to pick up his buys and the customer makes arrangements for the delivery of his merchandise to his home or business after the auction.

A sideline of the regular business is merchandise left on consignment. Here the customer retains title and agrees to pay the auctioneer a percentage of the auction price as a commission for selling the article.

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# IDEA EXCHANGE

By MILDRED SWEM, Los Angeles, California

## ***Where's that last report?***

You have a good filing system, but somehow that last report is missing. Maybe you are using paper clips instead of staples. Paper clips used to fasten together related papers often pick up unrelated papers next to them, with the result that the papers may be buried in some unknown file. To eliminate the problem, use staples instead of paper clips. A small staple remover makes it easy to remove the staple when it is necessary to remove a paper or make additions or changes to the file.

—Katherine McNamera, Grand Rapids

## ***Throw away those check stubs and vouchers!***

To avoid the necessity of maintaining stubs of checks issued or the keeping of vouchers, have your checks prepared in an original and three copies in different colors with one time use carbon between the copies. In this way, you have the original check which is mailed out to the payee, the blue copy which is the bookkeeper's copy for posting (or the Tabulating Department's copy, if records are maintained on IBM), the green copy which is given to the Auditor, and the white copy which is kept as a permanent record and for checking off checks as they are paid, cancelled and returned to you. To further save time, have the checks printed four to the page, with the original and first two copies perforated for easy handling, leaving the last or permanent file copy unperforated for filing in a binder.

—Ruby M. Crawford, Atlanta

## ***Now you see it, now you don't—***

Did you ever leave your desk for a minute and come back to find your adding machine tape moved, under your desk, or floating around the office?

Anchor your tape on your desk in any position or angle by clipping a large paper clip to the top of the tape. This leaves your hands free for checking the tape or answering the phone. As you check down the tape you can loop it up under the clip without folding or creasing.

This is equally good for a long or a short tape. TRY IT!

—Grace M. Berkley, Kansas City

## ***Retail Long-Term Contracts***

We use the following helpful and time-saving method in handling long-term contracts.

One operation on our bookkeeping machine prepares the customer's payment book and the charges to the account card. Information entered pertains to customer's name and address, the amount of weekly or monthly payments and the due date.

Item, trade-in, contract carrying charge and the length of contract term are entered in the margin for remarks. These numbered cards and books are filed in numerical order.

A tickler file is kept in alphabetical order of 3x5 cards containing the customer's name, address and account number. This same information is kept with the contracts which are filed in alphabetical order in large envelopes.

In this way we always have a cross check on the identity of an account.

—Wilma Beukema, Holland

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(Continued from page 16)

The accounting records necessary to the auction business are: cash receipts, checks drawn, auction sales record and payroll records. A voucher check system is used and unpaid bills are accumulated for statement purposes. A voucher record is not necessary as checks are distributed when drawn. The total monthly sales are posted directly from the auction sheets, usually after a summary is made if more than one auction is held. An open Accounts Receivable file is kept alphabetically. If the auction date falls a few days before the month end, there may remain unpaid accounts receivable. At the end of seven days they are cancelled. Detailed customer accounts are not kept, but a duplicate statement as prepared on auction days is filed for each auction.

After each auction, the customer's duplicate statements are totaled and balanced with the auction sales sheets. This control checks each lot sold to a customer charge and posting to his statement.

The pressure on auction days is quite heavy and it takes a calm and level headed bookkeeper to answer questions, answer the telephone and keep statements posted all at the same time . . . but it is a fascinating business and all in a day's work!

# TAX NEWS

By LOUISE A. SALLMANN, CPA, Oakland, California

1956 was a traveling year for the good citizens of these United States — by air, steam, rail or car standards — the travel agencies will attest to the fact that we Americans have been on the move during the past year.

In this early part of 1957, we accountants will be faced with more “deductible reasons” for that travel as proposed by our client taxpayers and it behooves us to have the pros and cons at the tips of our fingers.

Following are some of the most common “traveling expense deduction problems” with which we may be faced:

## ***Corporation Executive's Wife***

Those in the know give a “no” answer to the question of deducting the travel expense of an executive's wife. However, currently one taxpayer corporation is taking its case to the Tax Court to support the deduction as either a business expense or additional compensation to the executive. It contends that it is not only helpful but necessary to have the wives of important officers accompany their husbands on business trips which involve meeting other members of the industry. It may be well to keep an eye open for the decision in this case.

## ***Vacation and Business Trip Combination***

A recent Rev. Rul. 56-168, IRB 1956-17 spells out the Department's feelings on this subject. Revenue Agents have been instructed to carefully check business trips or convention trips to determine the opportunities for personal vacation before and after and/or on the way, particularly when members of the family are in attendance. Only the expense directly attributable to the business portion will be accepted as a deduction. If the purpose of the trip is primarily personal and the business activity merely incidental, then none of the expense will be considered deductible. A family member must serve a bona-fide business purpose to qualify for any deduction.

Tax Court cases have probably provided more explicit definitions of what constitutes a business or convention trip expense. Expenses of attending professional conventions or business gatherings have been held

to be deductible as well as those incurred by a secretary attending a national secretaries' convention. Expenses of attending refresher courses for the purpose of “maintaining one's professional qualifications” rather than obtaining them have also been held to be deductible.

## ***Travel as a Medical Expense***

The Code allows a medical deduction for transportation primarily for and essential to medical care, that is, for the prevention or alleviation of a physical or mental illness or defect. Following are examples of classifications which have qualified for deduction as medical expense.

The Tax Court in the case of Pepper, TC Memo 1956-57 allowed a husband a deduction for the cost of sending his mentally ill wife to visit a sister in California when her doctor felt that it would have therapeutic value. He was also allowed a deduction for the rental of an automobile which was used to take her on pleasure drives recommended by her physician.

A taxpayer who suffered from a stroke was allowed to deduct not only his own expenses but his wife's incurred for a trip to Florida to avoid the severe winter and for the mitigation and treatment of his diseased vascular and circulatory system. Under the current law, his deduction would be limited to the travel expense — meals and lodging would be non-deductible.

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## **IDEAS WANTED!!**

Come on, you chapters, Mildred Swem, our Idea Exchange Editor, tells me that the ideas you've been reading in our issues since last August come almost entirely from articles sent in prior to July, 1956. Let's get on the ball. Send your articles to:

Mildred Swem

Rt. 1, Box 22-H, Littlerock, Calif.

\* \* \*

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